

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/098 W

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P R 111850Z AUG 77
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC PRIORITY 1724
INFO USMISSION GENEVA

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USMTN

USMTN FOR MTN GENEVA

E.O. 11652: N/A
TAGS: ETRD, GATT, AR
SUBJECT: NOTIFICATIONS OF SERVICES RESTRAINTS IN THE MTN

REF: STATE 180215

1. COMMERCIALS: COMMERCIALS FOR TELEVISION AND RADIO
RPT TELEVISION AND RADIO PRODUCED OUTSIDE ARGENTINA MAY
NOT BE AIRED IN COUNTRY. THIS PROHIBITION IS PUT IN EFFECT
BY DECREE N 4093 OF MAY 9, 1973, WHICH CONTAINS THE
IMPLEMENTING REGULATIONS FOR LAW N 19.798, THE NATIONAL
TELECOMMUNICATIONS LAW OF AUGUST 1972. (THERE IS NO
REGULATION COVERING COMMERCIALS SHOWN IN MOVIE THEATERS,
HOWEVER. NEVERTHELESS, IN PRACTICE COMMERCIAL FILMS
PRODUCED OVERSEAS MUST BE DUBBED INTO SPANISH BY ARGENTINE
ANNOUNCERS BEFORE BEING SHOWN IN THEATERS.)

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2. THE INTENT OF THIS SERVICE RESTRAINT IS OBVIOUSLY
TO PROMOTE THE ARGENTINE ADVERTISING INDUSTRY. IT
APPEARS DOUBTFUL THAT A REPEAL OF THIS REQUIREMENT
COULD HAVE MUCH OF A TRADE IMPACT AT THIS POINT,
INASMUCH AS THE LOCAL INDUSTRY APPEARS WELL
DEVELOPED AND COMPETITIVE. AN ATTEMPT TO ELIMINATE
THIS RESTRAINT THEREFORE APPEARS TO BE OF

LIMITED UTILITY.

3. SHIPPING INSURANCE: ALL IMPORTS, WITH THE EXCEPTION OF THOSE FINANCED BY AID, MUST BE INSURED IN THE DOMESTIC INSURANCE MARKET. THE SAME APPLIES TO EXPORTS AND TO DOMESTIC INSURANCE CONTRACTS. IN ADDITION, ONLY LOCAL COMPANIES OF NATIONAL CAPITAL (I.E. THOSE AT LEAST 60 PERCENT OWNED BY ARGENTINES) MAY INSURE IMPORT SHIPMENTS. AT THE PRESENT TIME, BECAUSE OF LOOPHOLES IN THE LAW, SOME MAJORITY FOREIGN-OWNED COMPANIES INCORPORATED IN ARGENTINA ARE STILL ABLE TO WRITE INSURANCE FOR IMPORTS INTO ARGENTINA. HOWEVER, A NEW LAW HAS BEEN DRAFTED WHICH WILL CLOSE THESE LOOPHOLES AND THUS PREVENT FOREIGN INSURERS FROM WRITING INSURANCE ON IMPORTS INTO ARGENTINA. THE APPLICABLE LAWS PRESENTLY IN FORCE ARE LAW N 12.988 OF 1953 AS MODIFIED BY N 14.135 OF DECEMBER 27, 1962 AND N 19.299 OF DECEMBER 16, 1971.

4. THE VALUE OF INSURANCE ON IMPORTS FROM THE U.S. INTO ARGENTINA IS ROUGHLY 6-8 MILLION DOLLARS, AN UNDETERMINED PART OF WHICH IS PROBABLY ALREADY BEING WRITTEN BY U.S. COMPANIES AS A RESULT OF THE LOOPHOLES MENTIONED ABOVE. IF THE NEW LAW GOES LIMITED OFFICIAL USE

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INTO EFFECT, VIRTUALLY ALL OF THIS BUSINESS WILL BE LOST.

5. WE, AS WELL AS THE SWISS, FRENCH, AND BRITISH EMBASSIES, HAVE WRITTEN NOTES TO THE FOREIGN MINISTRY EXPRESSING OUR CONCERN AT THE DISCRIMINATORY ASPECTS OF THE PROPOSED NEW INSURANCE LEGISLATION. WE ARE NOT HOPEFUL THAT THESE DEMARCHES WILL PRODUCE THE DESIRED CHANGES IN THE LEGISLATION BECAUSE THE LOCAL INDUSTRY IS SUPPORTED BY STRONG NATIONALIST ELEMENTS IN THE GOVERNMENT. NEVERTHELESS IT WOULD BE USEFUL TO HAVE THIS ISSUE BROUGHT UP AT THE MTN. WHILE IT IS UNLIKELY THAT RESTRICTIONS WILL BE LIFTED ON DOMESTIC TRANSACTIONS, THE NEGOTIATIONS IN GENEVA MIGHT LEAD THE GOA TO RELAX THE RESTRICTION ON INTERNATIONAL TRADE TRANSACTIONS.

6. ENGINEERING SERVICES:

THERE ARE RESTRICTIONS ON THE ACTIVITY OF FOREIGN ENGINEERING FIRMS IN ARGENTINA. MOST BID CONTESTS FOR ENGINEERING SERVICES HELD BY PUBLIC ENTITIES

IN ARGENTINA ARE LIMITED TO LOCAL COMPANIES, THOUGH FOREIGN FIRMS MAY ASSOCIATE THEMSELVES WITH ARGENTINE ENGINEERING FIRMS WHO BID ON LOCAL WORK IN CERTAIN CASES. ONLY IN THE CASE OF MAJOR PROJECTS INVOLVING COMPLEX ENGINEERING PROBLEMS ARE FOREIGN FIRMS INVITED TO BID AS THE LEAD FIRM; BUT EVEN IN THESE CASES THEY ARE OBLIGED TO ASSOCIATE THEMSELVES WITH LOCALLY ESTABLISHED COMPANIES. THE RELEVANT REGULATIONS GOVERNING THIS CASE IS LAW 18.875 OF DECEMBER 23RD, 1970.

7 THE INTENT OF THIS LEGISLATION IS OBVIOUSLY TO PROTECT AND PROMOTE THE ARGENTINE ENGINEERING SERVICES INDUSTRY. THE MEASURE HAS BEEN EFFECTIVE LIMITED OFFICIAL USE

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IN THAT IT HAS CAUSED A NUMBER OF FOREIGN ENGINEERING FIRMS TO ESTABLISH LOCAL SUBSIDIARIES IN ORDER TO GET AROUND THE RESTRAINT. MUCH OF THE BIGGER JOBS ARE AWARDED TO THIS SMALL GROUP OF FIRMS. THE IMPACT ON POTENTIAL US SALE OF SERVICES HERE IS CONSIDERABLE - PROBABLY GREATER THAN IN ANY CASE OF SERVICE RESTRAINTS WE ARE AWARE OF. IT IS POSSIBLE THE GOA WILL MAKE CONCESSIONS ON THIS SCORE THOUGH LOCAL PRESSURE FROM ENGINEERING FIRMS AGAINST ANY CHANGES IN THESE REGULATIONS WOULD BE VERY STRONG.

8. LOCAL FILM PRINTING REQUIREMENTS: ALL BLACK AND WHITE AND 80 PERCENT OF COLOR MOVIE RELEASE PRINTS MUST BE COPIED LOCALLY, A REQUIREMENT OF THE ARGENTINE NATIONAL FILM INSTITUTE WHICH IS EMPOWERED BY LAW N 17.741 TO DO SO. THE INTENT OF THE RESTRAINT IS TO PROMOTE LOCAL PRINTING OF FILMS. THE EFFECT OF THE RESTRAINT HAS BEEN ESTIMATED AT US\$ 800,000 TO 1 MILLION BY LOCAL REPS OF THE US MOTION PICTURE EXPORTERS ASSOCIATION. THE RESTRAINT IS PARTICULARLY SIGNIFICANT IN THE CASE OF COLOR FILMS. THE IMPACT IN THE CASE OF BLACK AND WHITE FILMS IS NEGLIGIBLE BECAUSE THE NUMBERS SCREENED ARE SO FEW. THE US FILM INDUSTRY HAS ONLY RECENTLY LOST A DISPUTE WITH THE GOA OVER THE ISSUE AND ARRIVED AT AN AGREEMENT ACCEPTING THIS SERVICE RESTRAINT. NEVERTHELESS, THEY BELIEVE IT WOULD PROBABLY BE USEFUL TO REOPEN THE ISSUE IN GENEVA.
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Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Case Number: n/a
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